

# Petroleum: Jobs and Revenues

by

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Alaska State Legislature

House Resources Committee

February 25, 2013

Juneau, Alaska

Institute of Social and Economic Research  
University of Alaska Anchorage

# Petroleum: Jobs and Revenues

Primary Financial Support from



# Basis for a Prosperous Economy



# The Alaska Economy Runs on \$\$\$ From Outside

- Sale of Resources
- Tourists
- Federal Spending
- Retirees



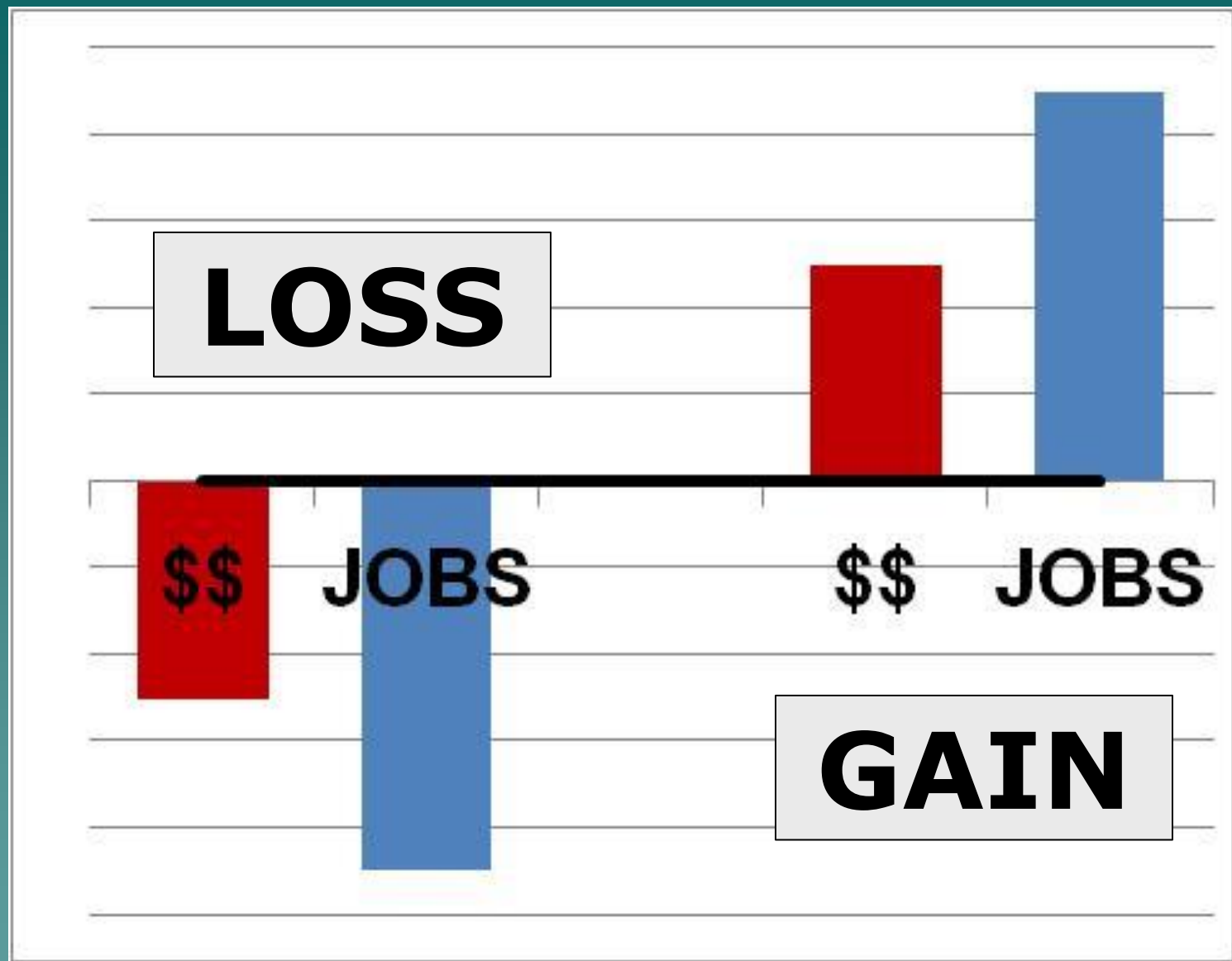


# As Those \$\$ Circulate Thru the Economy, They Support These Other Types of Businesses



# What is the Impact on Jobs and Revenues from a Cut in Petroleum Taxes?

- State Revenues from Currently Anticipated Production Fall
- Budget Cuts Reduce Public and Private Jobs
- Increase in Petroleum Industry Investments Increases Private Jobs
- Increase in Oil Production increases state revenues
- Higher state revenues increases Public and Private Jobs



# Not a Prediction





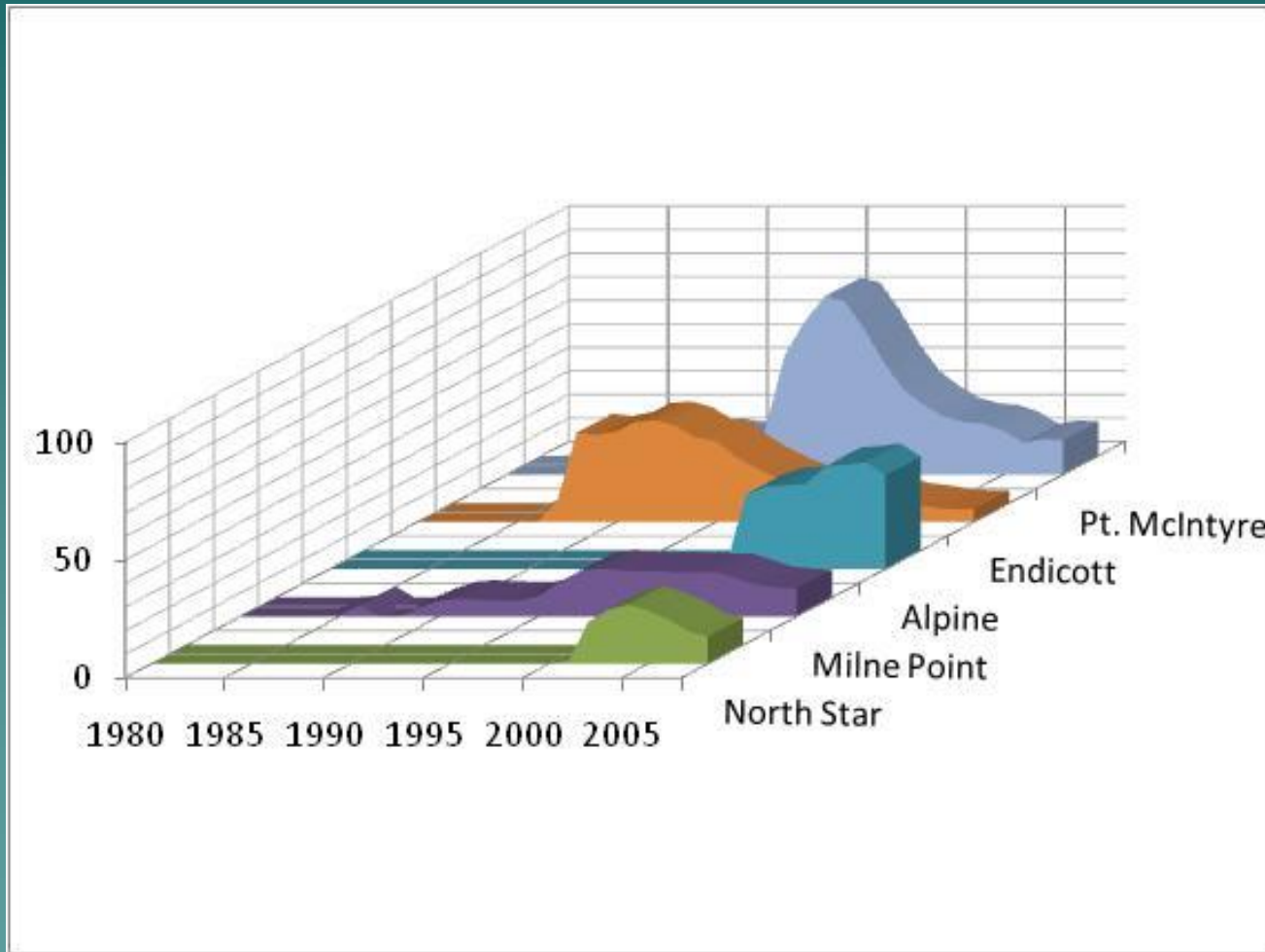
# What Happens to Investment When taxes Cut \$1 Billion?

If Alberta cuts its tax rates, will oil companies take that money and come to Alaska to invest?

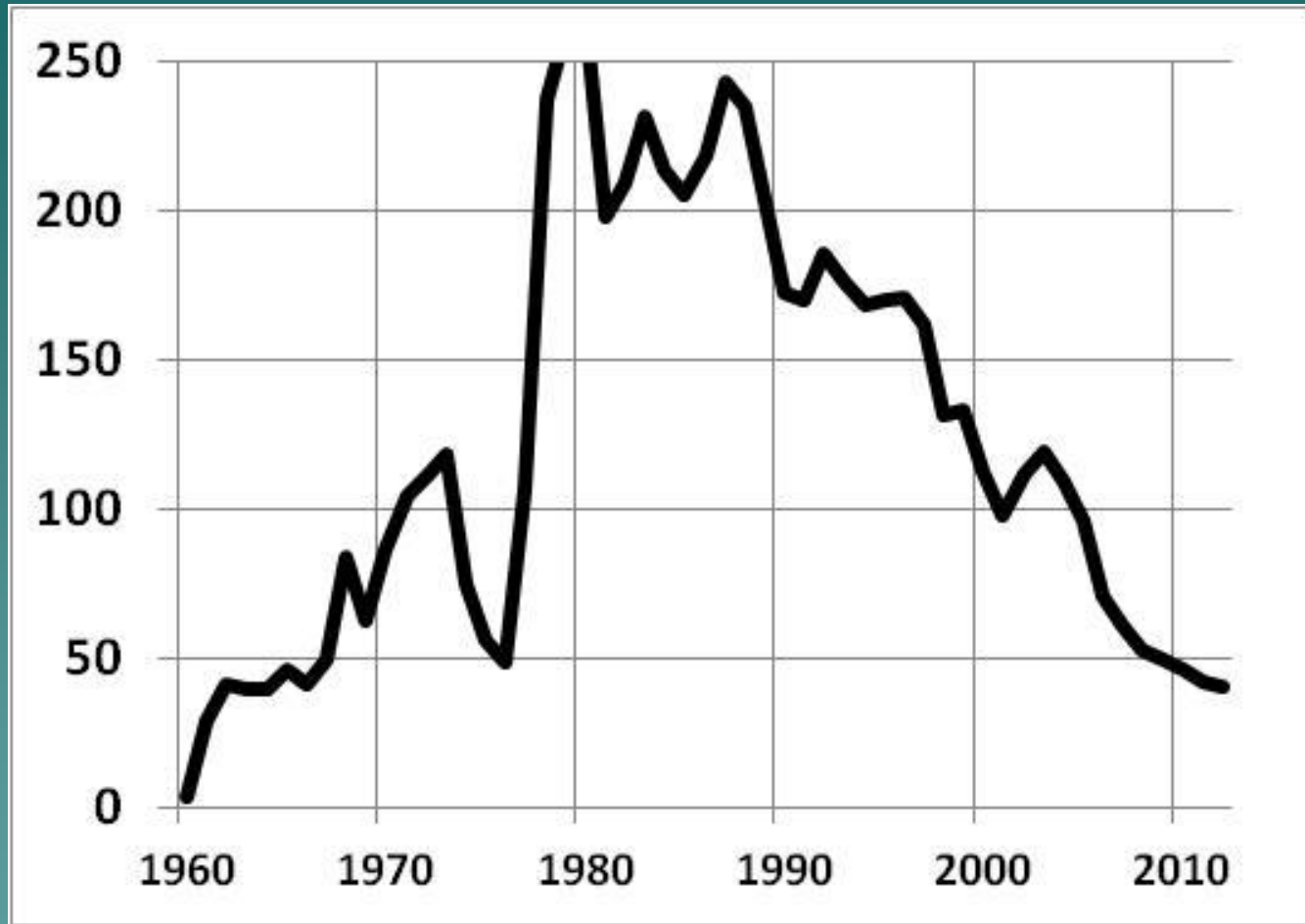
Or, Is Alaska different from every other oil rich region?

## LEVERAGE

# Oil Development & Production: Each Project Unique



# Jobs to Production Relationship



# How Does the State Spend its Money?

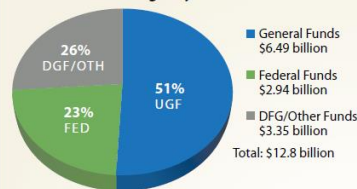
## Responsible and Responsive



SEAN PARNELL  
GOVERNOR OF ALASKA

### ALASKA'S FISCAL YEAR 2014 BUDGET PROPOSAL

#### Alaska's Budget by Source of Funds



#### The FY 2014 Budget Proposal Supports Alaska's Priorities:

##### Resource/Energy Development

Alaska's resources provide Alaskans with opportunity.

- Roads to Resources \$18 million
- Gasline Development \$50 million
- Geologic Materials Center \$15 million
- Chinook Salmon Research \$10 million
- Strategic Minerals \$2.7 million
- Permitting and Statewide Mapping \$7.3 million
- Sustainable Energy Fund \$125 million
- Sustitna-Watana Hydro Project \$95 million
- Interior Energy \$50 million
- Weatherization/Home Energy \$51.5 million
- Renewable Energy \$25 million

##### Education

Alaska's K-12 public education system prepares students for success in college or job-training programs.

- K-12 Education \$1.25 billion
- Alaska Performance Scholarships \$8 million
- Alaska Digital Learning Initiative \$5.9 million
- Early Learning \$14.6 million
- School Construction \$46.2 million
- Major Maintenance \$22.3 million

##### Transportation/Infrastructure

Alaska's economy depends on access and infrastructure to support development.

- Statewide Highway and Aviation \$971 million
- Alaska Marine Highway \$182 million
- Municipal Water and Sewer Projects \$34 million
- Village Safe Water \$56.5 million
- State Funds to leverage federal and local \$141 million

##### Public Safety

The budget prioritizes safe homes and strong families.

- Choose Respect Initiative \$14.8 million
- 18 New Alaska State Troopers \$3.7 million
- 15 New Village Public Safety Officers \$2.7 million
- Investigate/Prosecute child sexual abuse \$1.6 million
- Emergency - Blood Bank of Alaska \$7 million

##### Military Support

We honor Alaska's military community.

- Interior Alaska Veterans Cemetery \$2.5 million
- Homeland Security \$19.6 million
- Alaska Military Youth Academy \$11.1 million
- Veterans Services and Outreach \$2 million

*"Our fiscal plan is built on our state's resources and spending discipline. We focus on priorities that grow our economy and strengthen our families – for Alaskans today and tomorrow."*

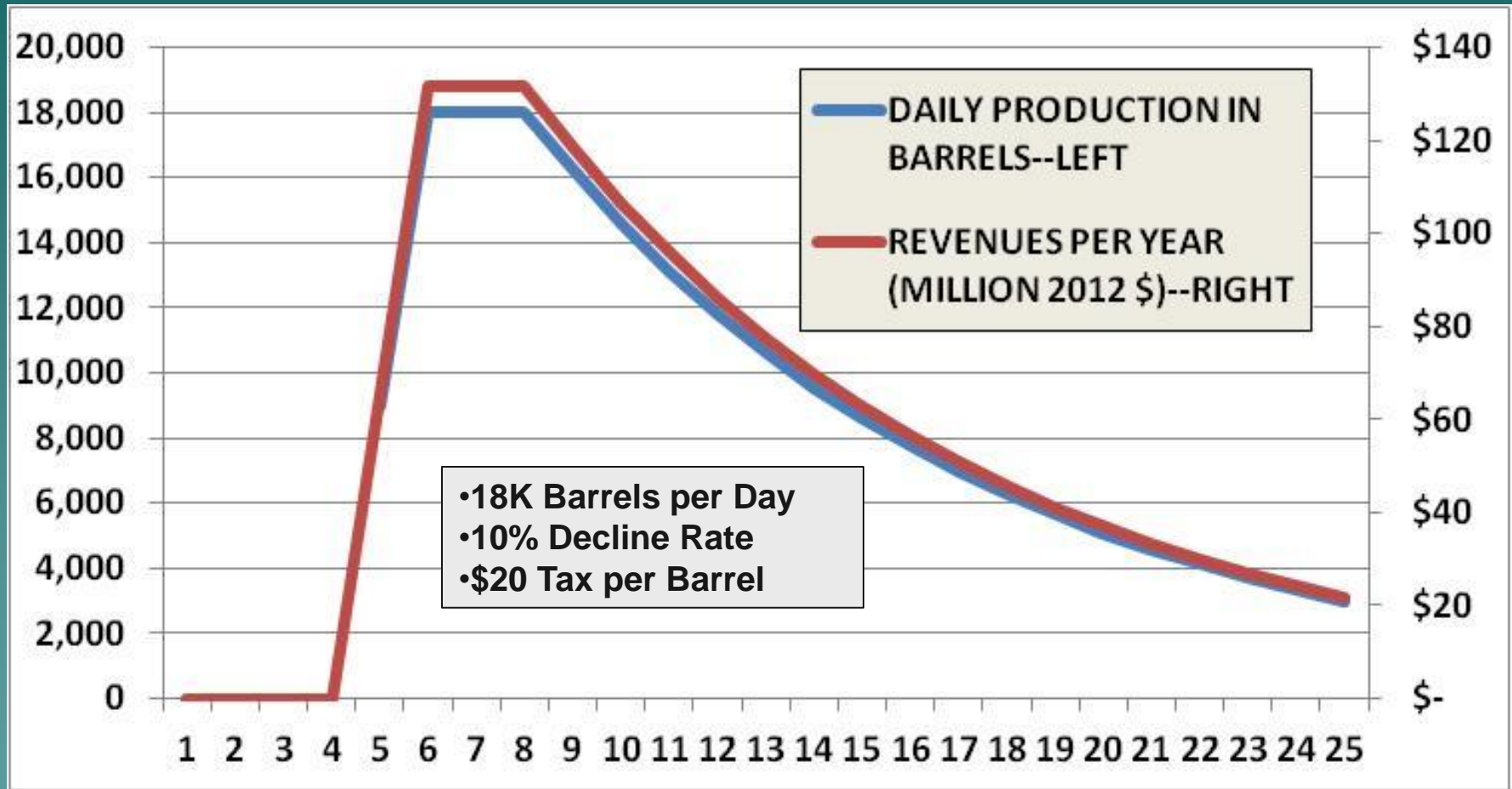
Sean Parnell  
GOVERNOR



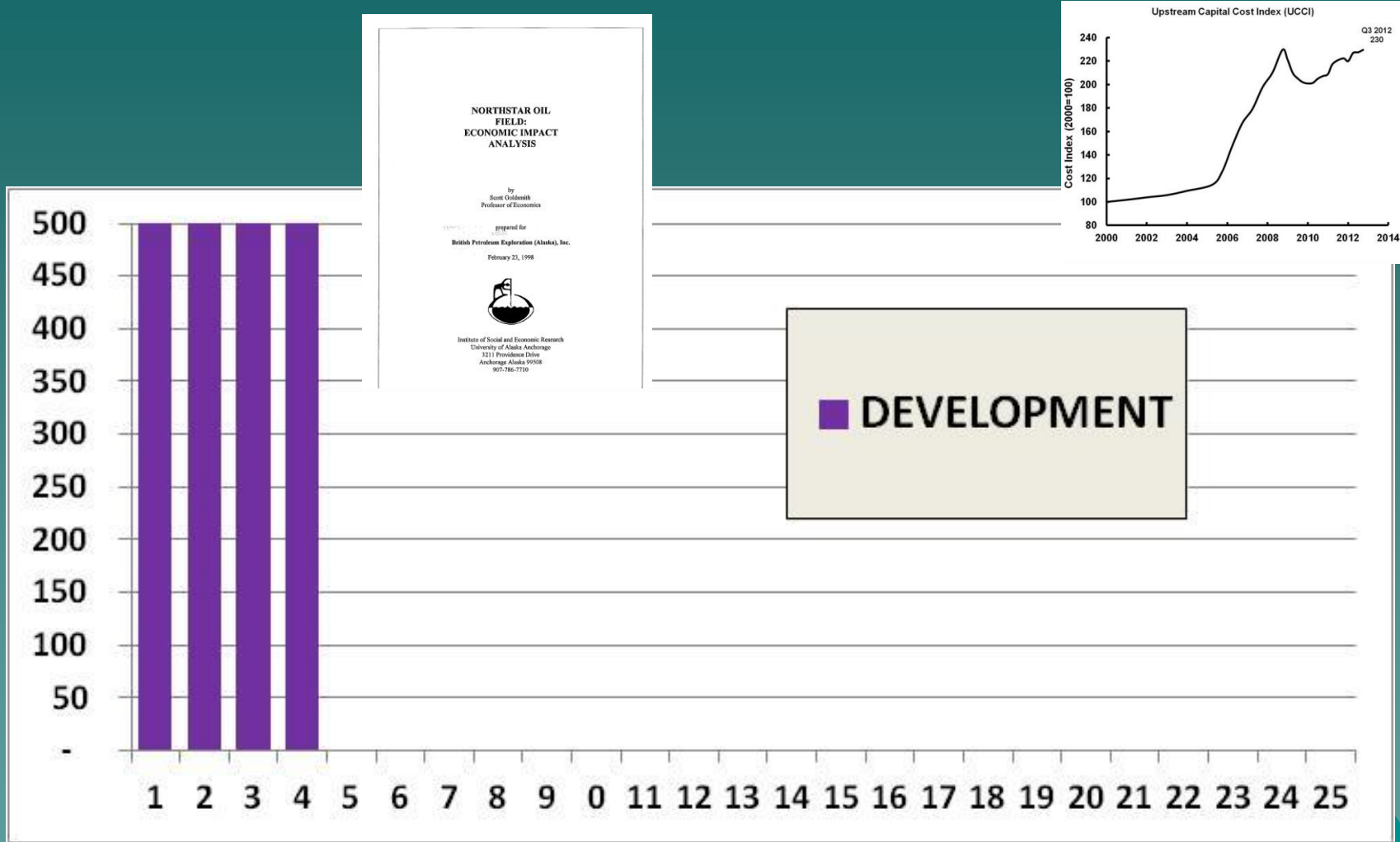
Responsible and Responsive • Alaska's FY 2014 Budget Proposal

For more information, go to: [omb.alaska.gov](http://omb.alaska.gov)

# Hypothetical \$1 Billion Field

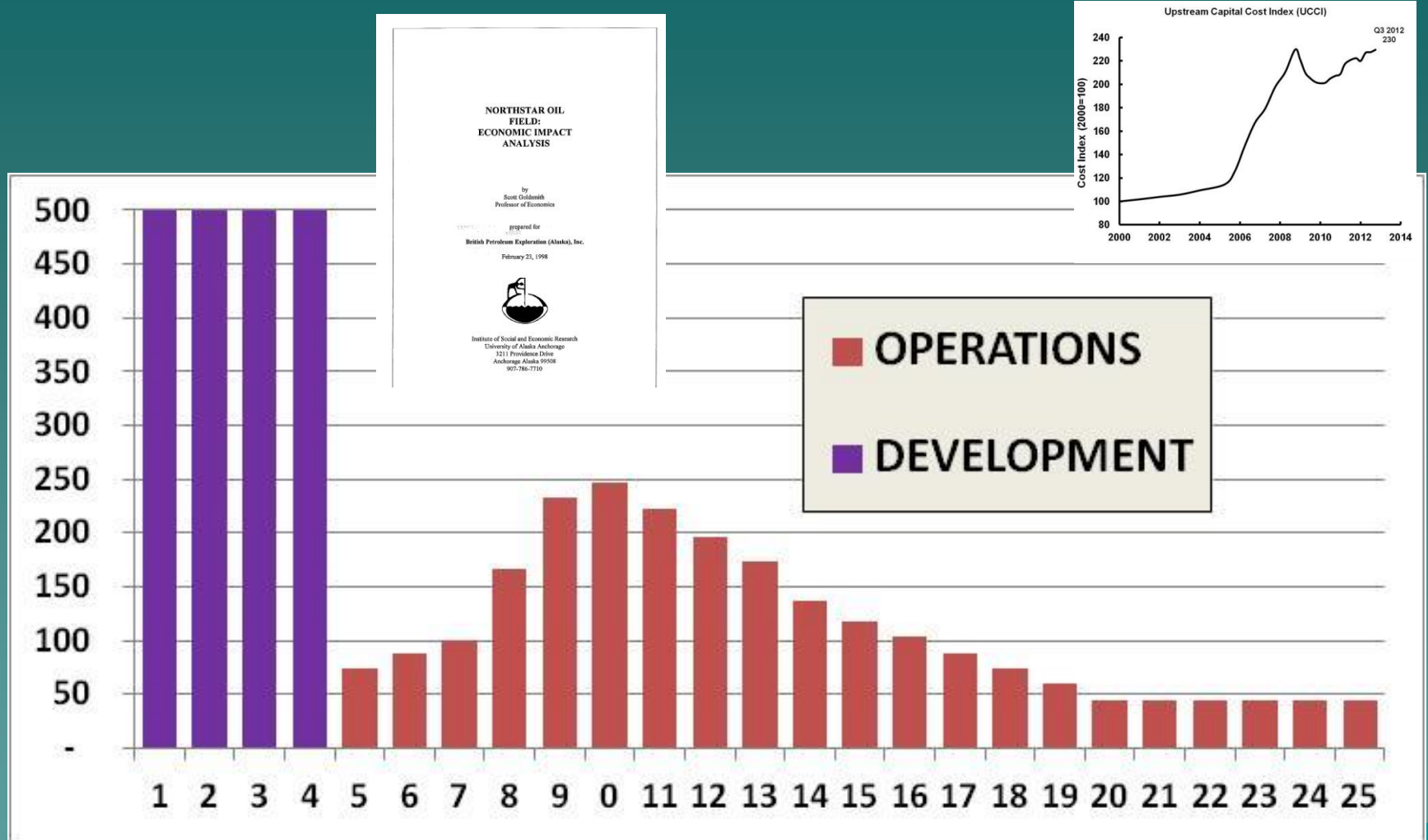


# New Field: Direct Jobs





# New Field: Direct Jobs



# 25 Year Cumulative Totals

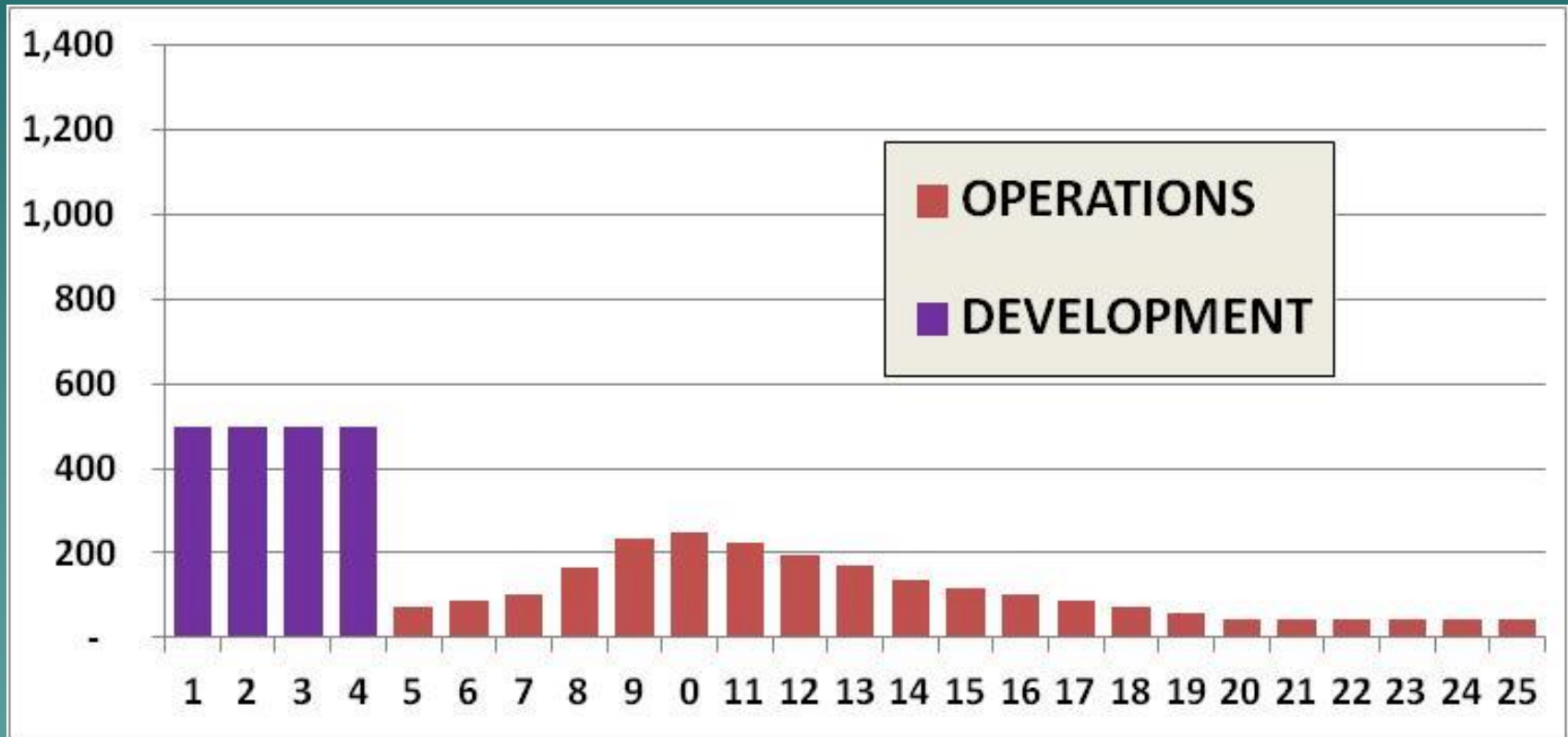
Production = 72 Million Barrels

Revenues = \$1.445 Billion (2012 \$)\*

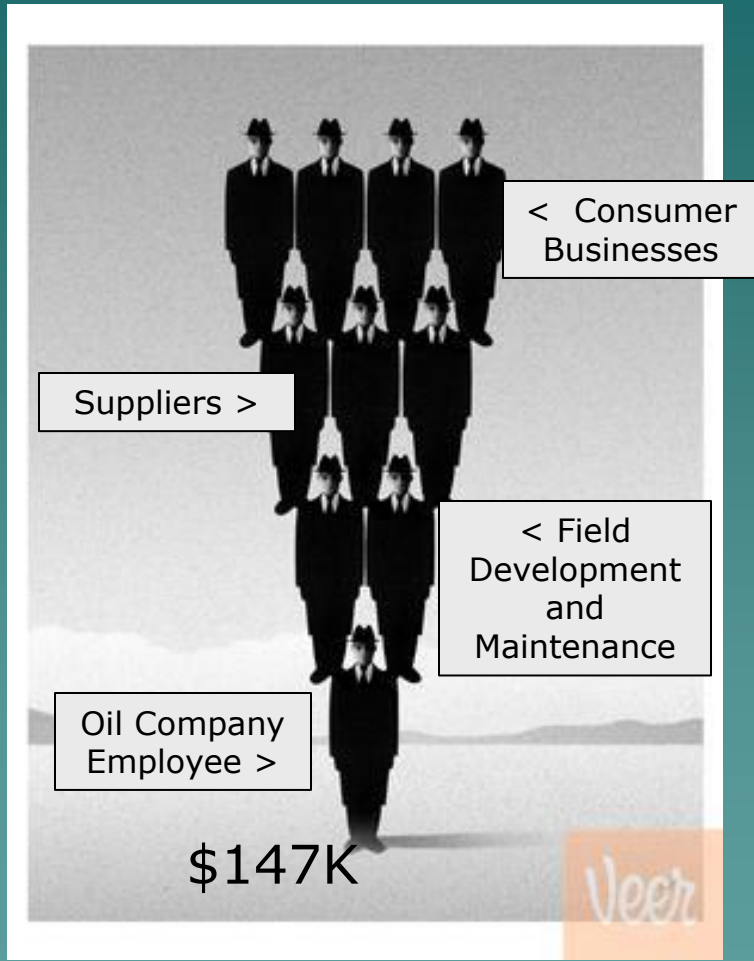
Direct Oil Patch Jobs = 4,349

\* NPV @ 5% = \$827 Million

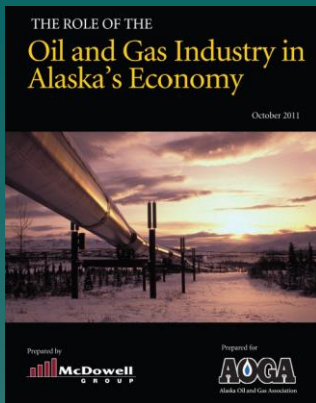
# Hypothetical Field: Make Room on Graph for Other Jobs



# Petroleum Job Pyramid: The Economic “MULTIPLIER”



- Advertising
- Air Carriers
- Arctic Engineering
- Arctic Gear
- Aviation Fuel
- Catering
- Communications
- Chemicals
- Hazardous Waste
- Commercial Diving
- Construction Equipment
- Project Management
- General Contractors
- Control Systems
- Corrosion Control
- Drilling
- Electrical Contracting
- Employee Services
- Environmental Engineering
- Engineering Services
- Heavy Hauling
- Expediting
- Oilfield Supplies
- Geophysical Services
- Geological Services
- Hydraulic Supply
- Industrial Gases
- Inspection Services
- Instrumentation Services
- Machining
- Logistics
- Maps
- Medical Services
- Mat Systems
- Mud
- Permitting
- Photography
- Plumbing
- Soil Stabilization
- Safety Equipment
- Rigging Supplies
- Security
- Seismic
- Steel Fabrication
- Storage Space
- Tank Fabrication
- Welding
- Vessel Charter



# Petroleum “MULTIPLIER”

$$45/4=10$$

$$45/(4+8) = 4$$

$$45/(4+8+7)=2.4$$

$$2.4 = 1 + 1.4$$

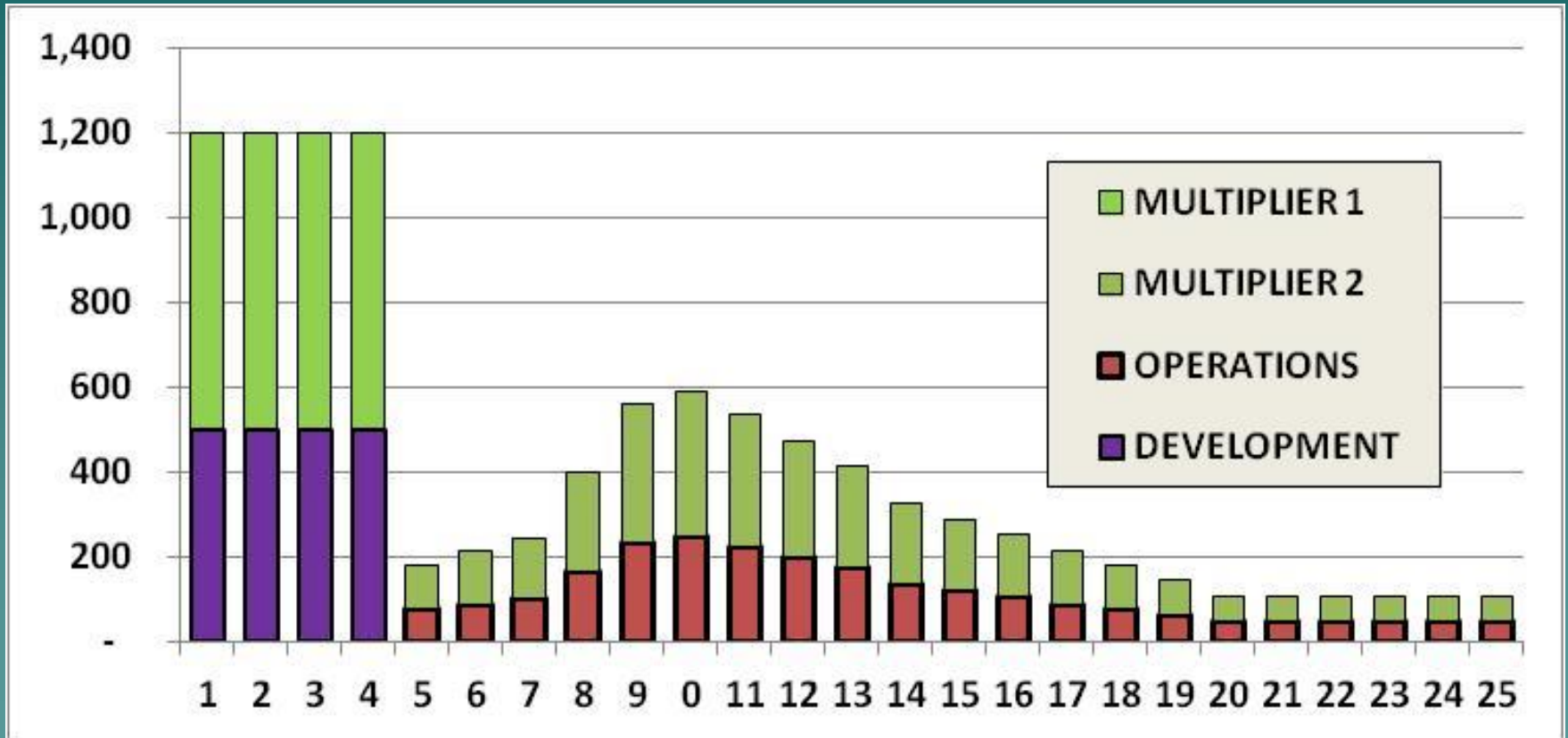
Alaska Resident Employment and Labor  
Income in the Oil and Gas Industry, 2010

|  | Employment    |
|--|---------------|
| <b>Direct Impacts</b>                              |               |
| Primary Companies                                  | 3,997         |
| <b>Indirect Impacts</b>                            |               |
| Reported Oil & Gas Industry Support Services*      | 7,670         |
| Other Support Services**                           | 7,100         |
| <b>Other Indirect and Induced Impacts</b>          |               |
| All Other Indirect and Induced                     | 26,033        |
| <b>Grand Total (Direct, Indirect, and Induced)</b> | <b>44,800</b> |

\*Includes ADOLWD Oil and Gas Support Services Sectors 213111 and 213112.

\*\*Other Support Services includes construction, transportation services, engineering and a variety of other business and professional services provided under contract to P

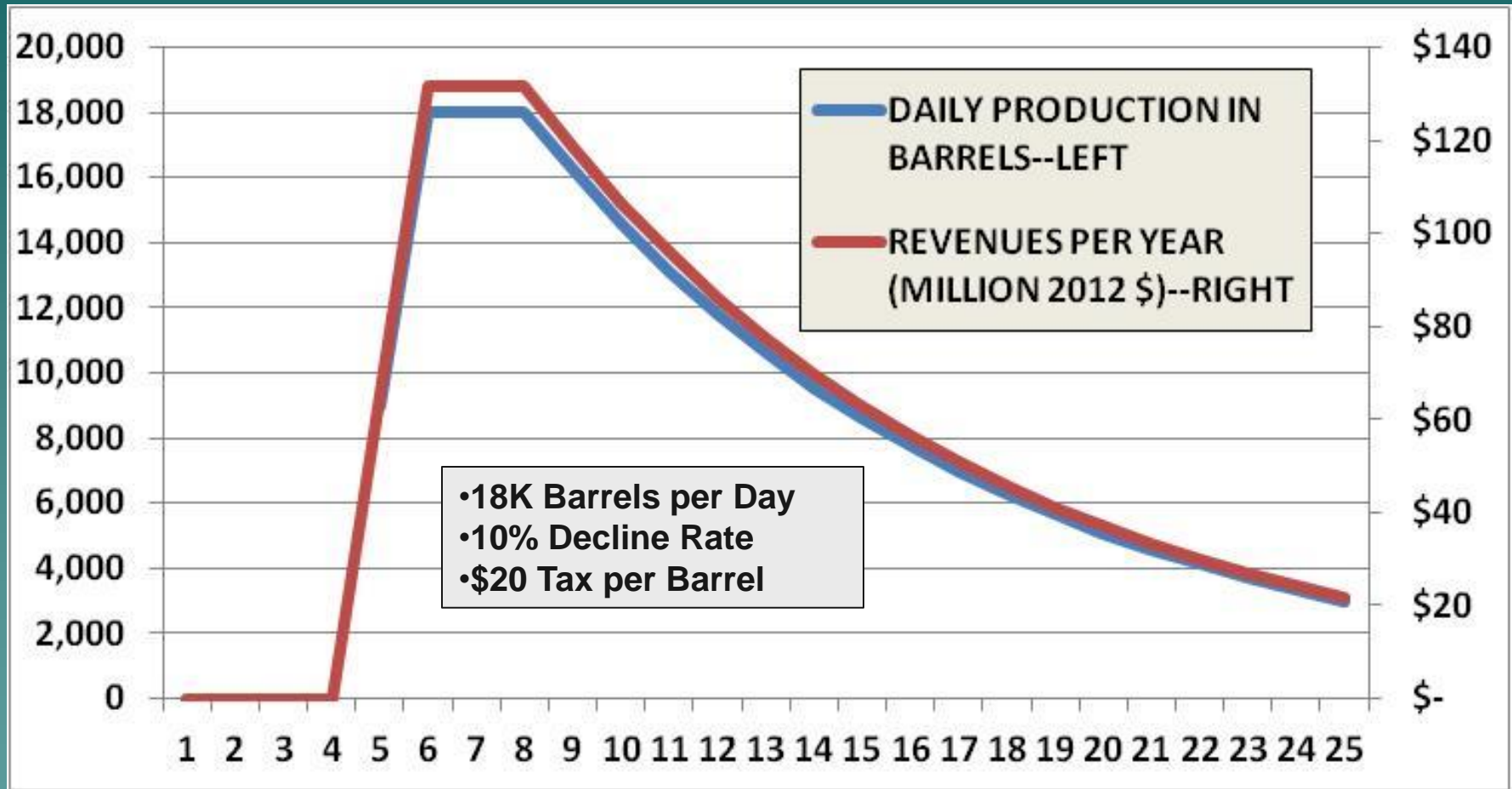
# New Field: Total Oil Patch Jobs



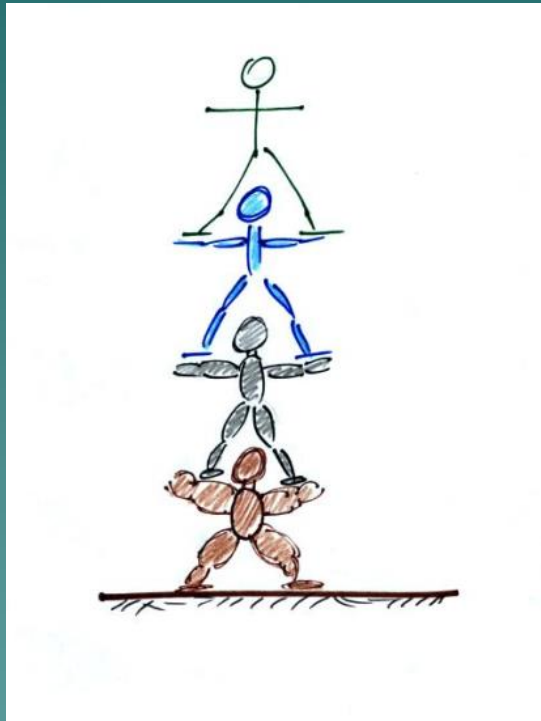
Add 6,088 for total of 10,437



# Hypothetical \$1 Billion Field



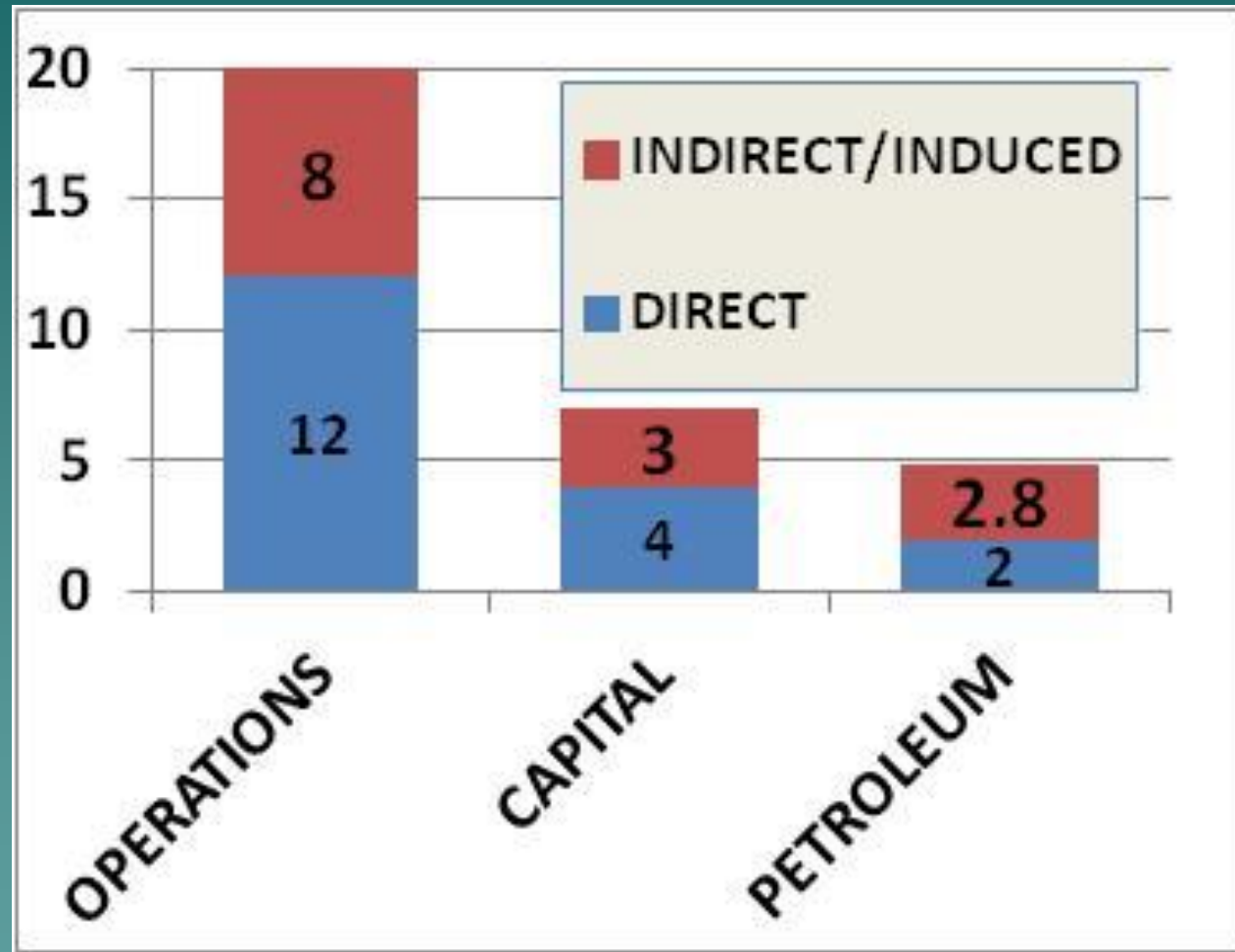
# State Spending Bang per Buck & Multipliers



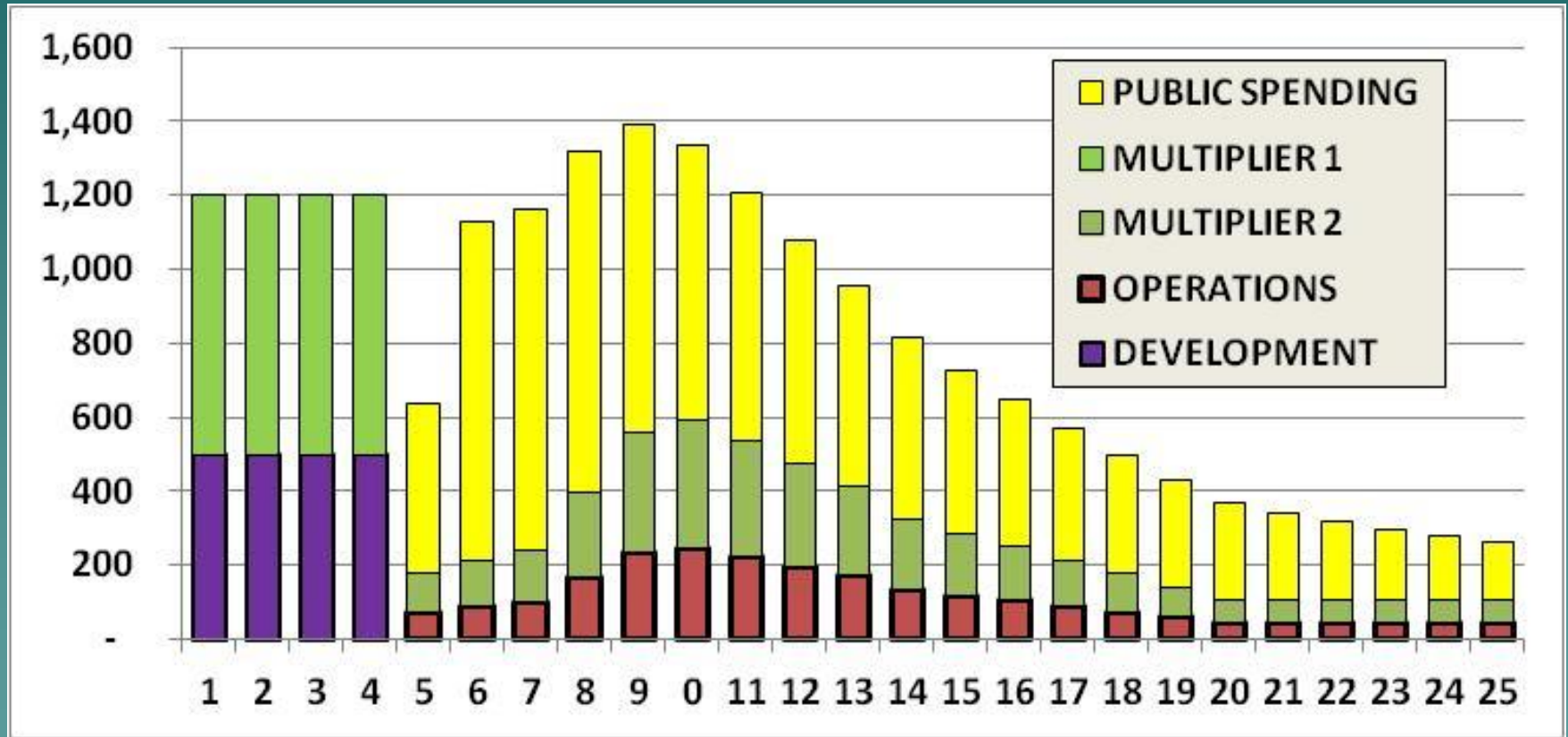
OPERATIONS  
 $20/12 = 1.66$

CAPITAL  
 $7/4 = 1.75$

# Bang per Buck & Multipliers

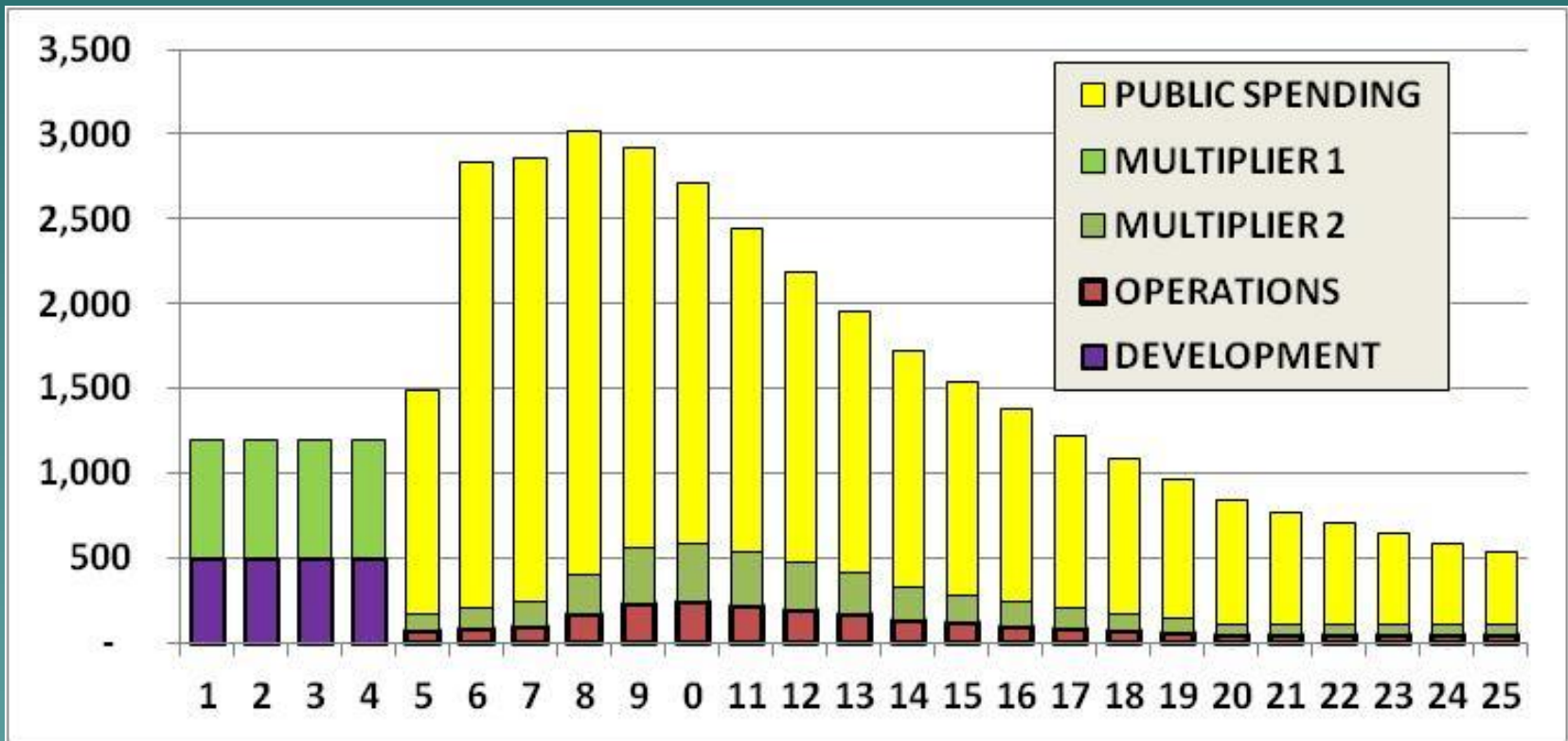


# New Field: Total Jobs including Public Capital Spending



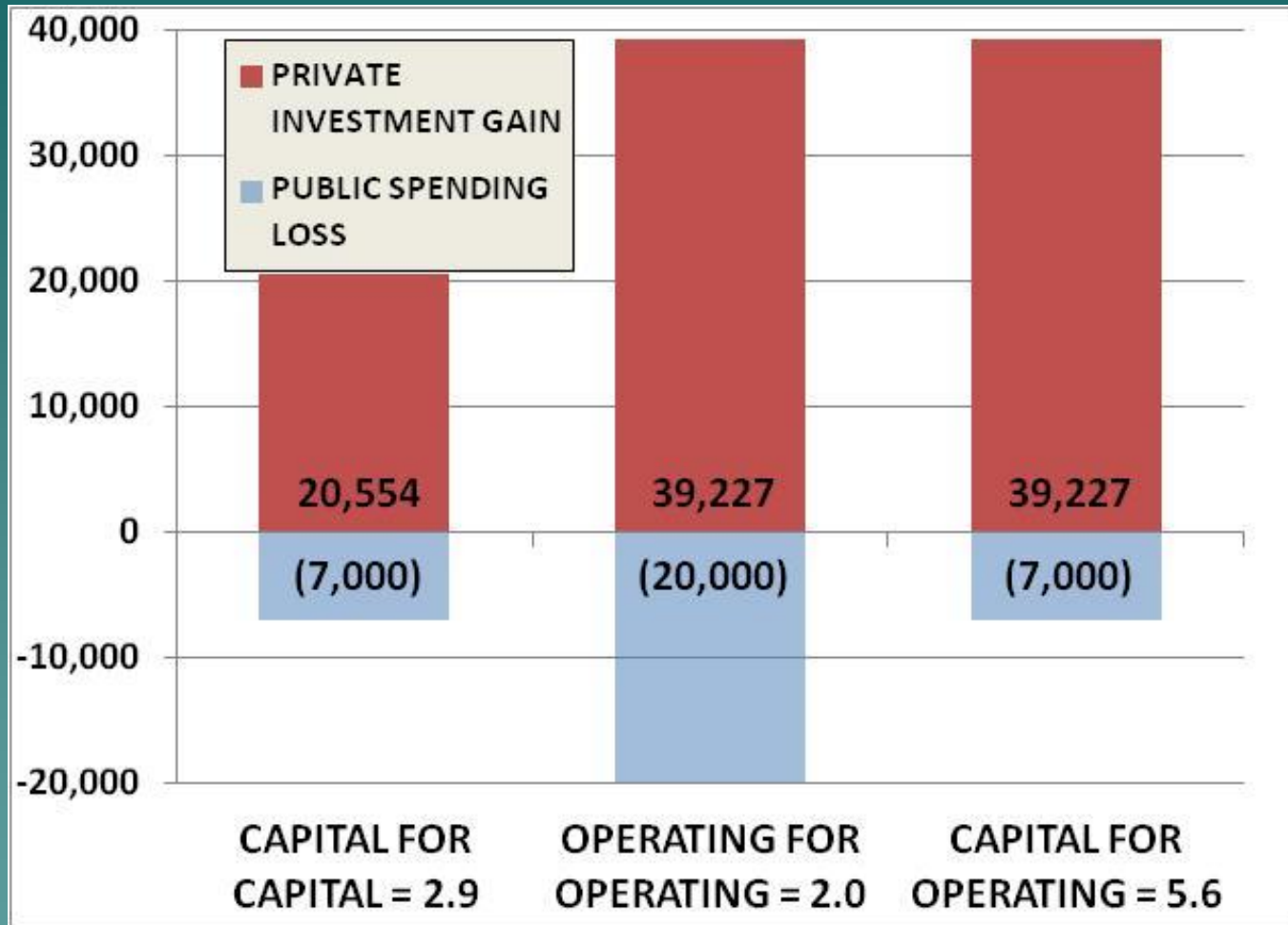
Add 10,117 for grand total of 20,554

# New Field: Total Jobs including Public Operations Spending



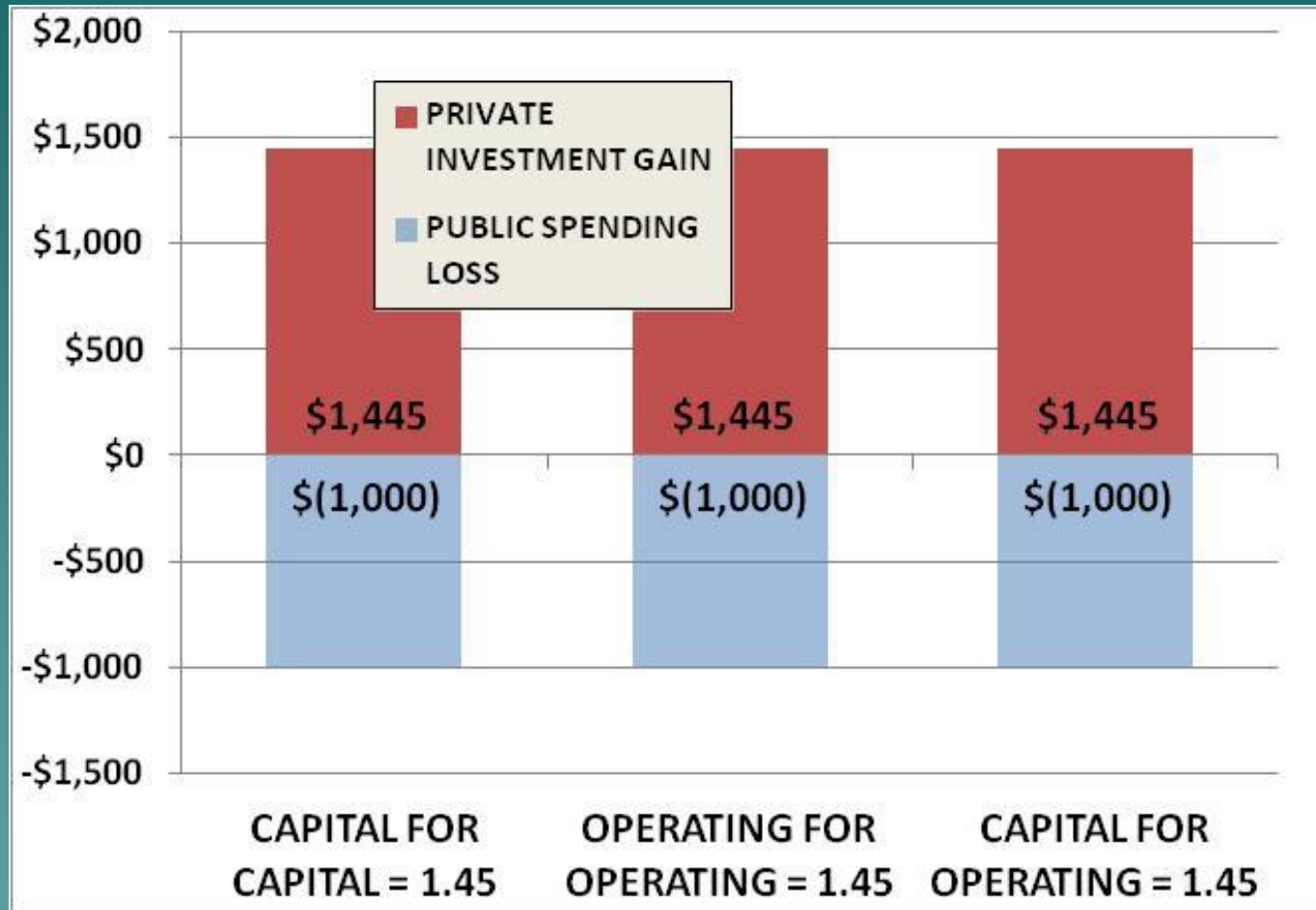
Add 28,790 for grand total of 39,227

# Cumulative Jobs Generated



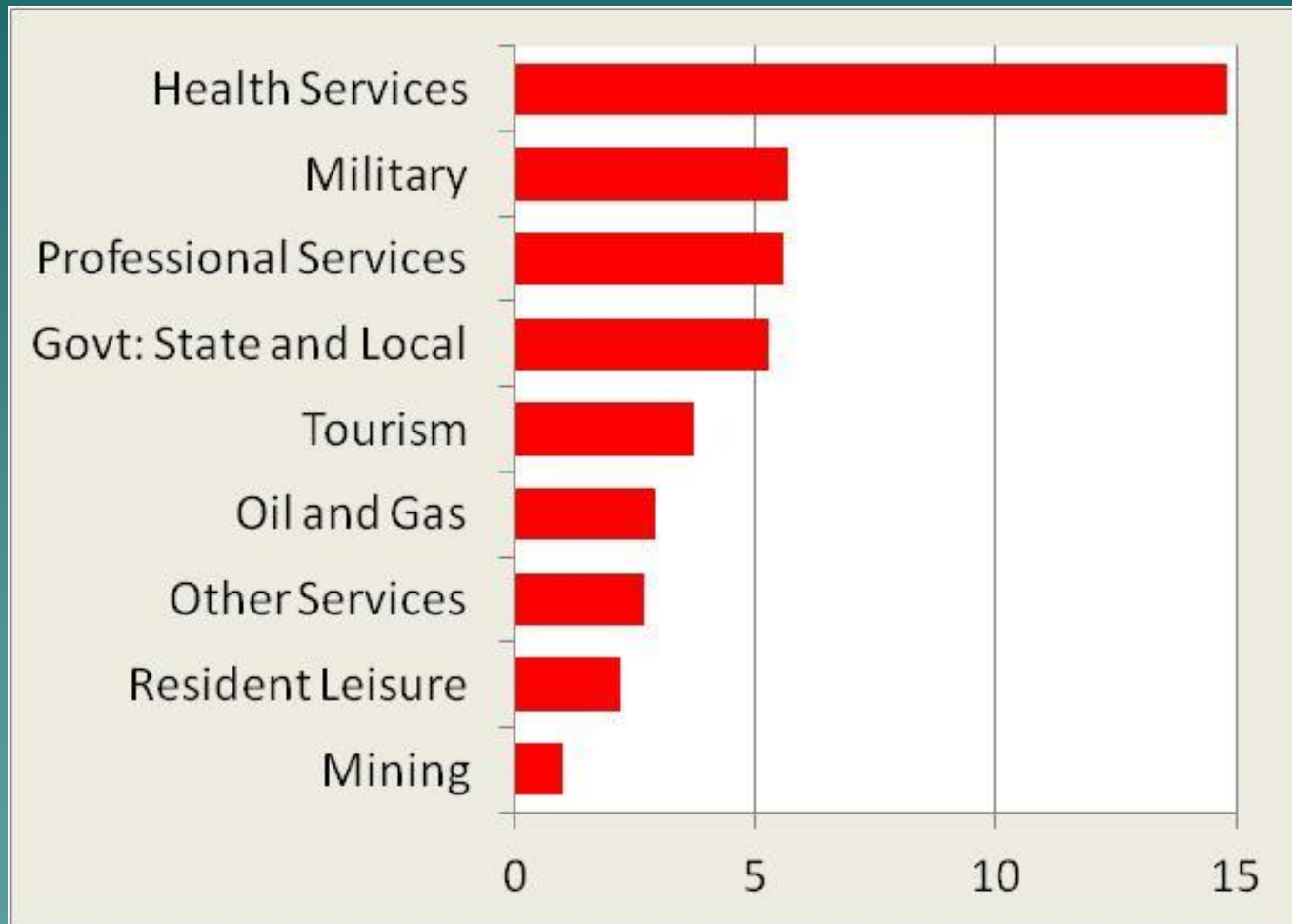


# Cumulative Revenues Generated (Million 2012 \$)

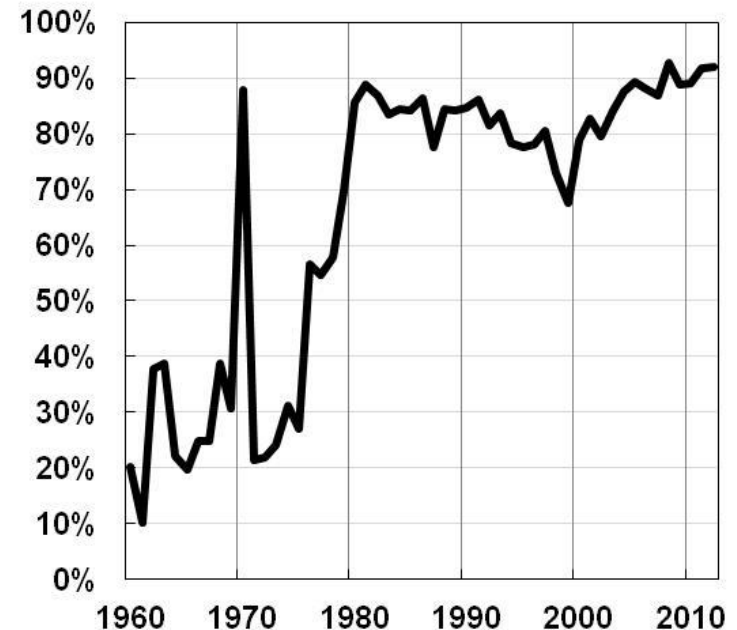
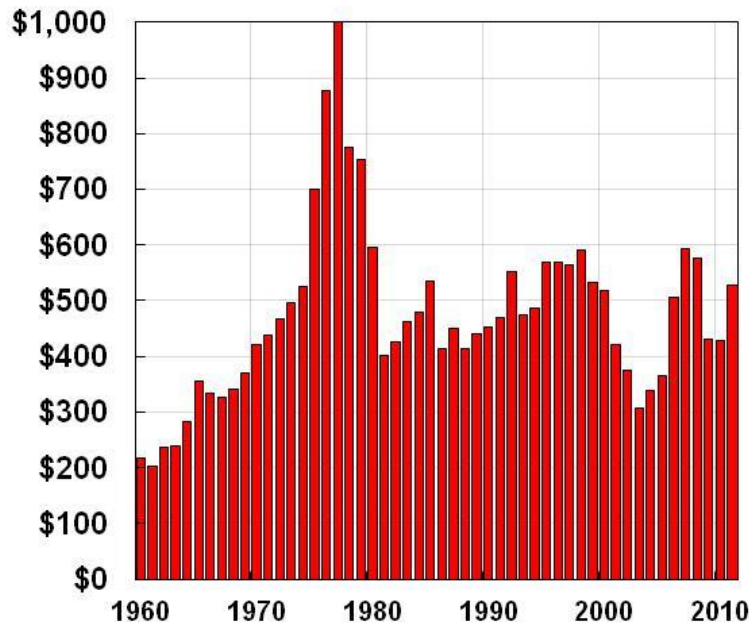


# Job Growth Since 2001

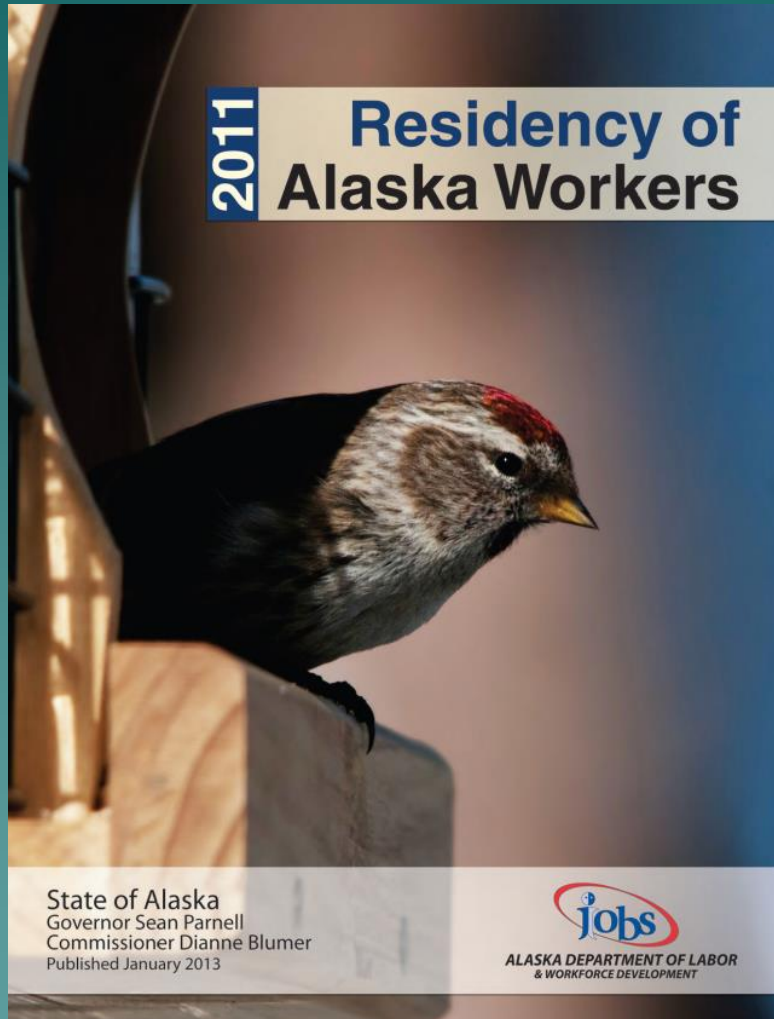
## How Much Due to Govt Investment?



# Progress Toward Fiscal Diversification

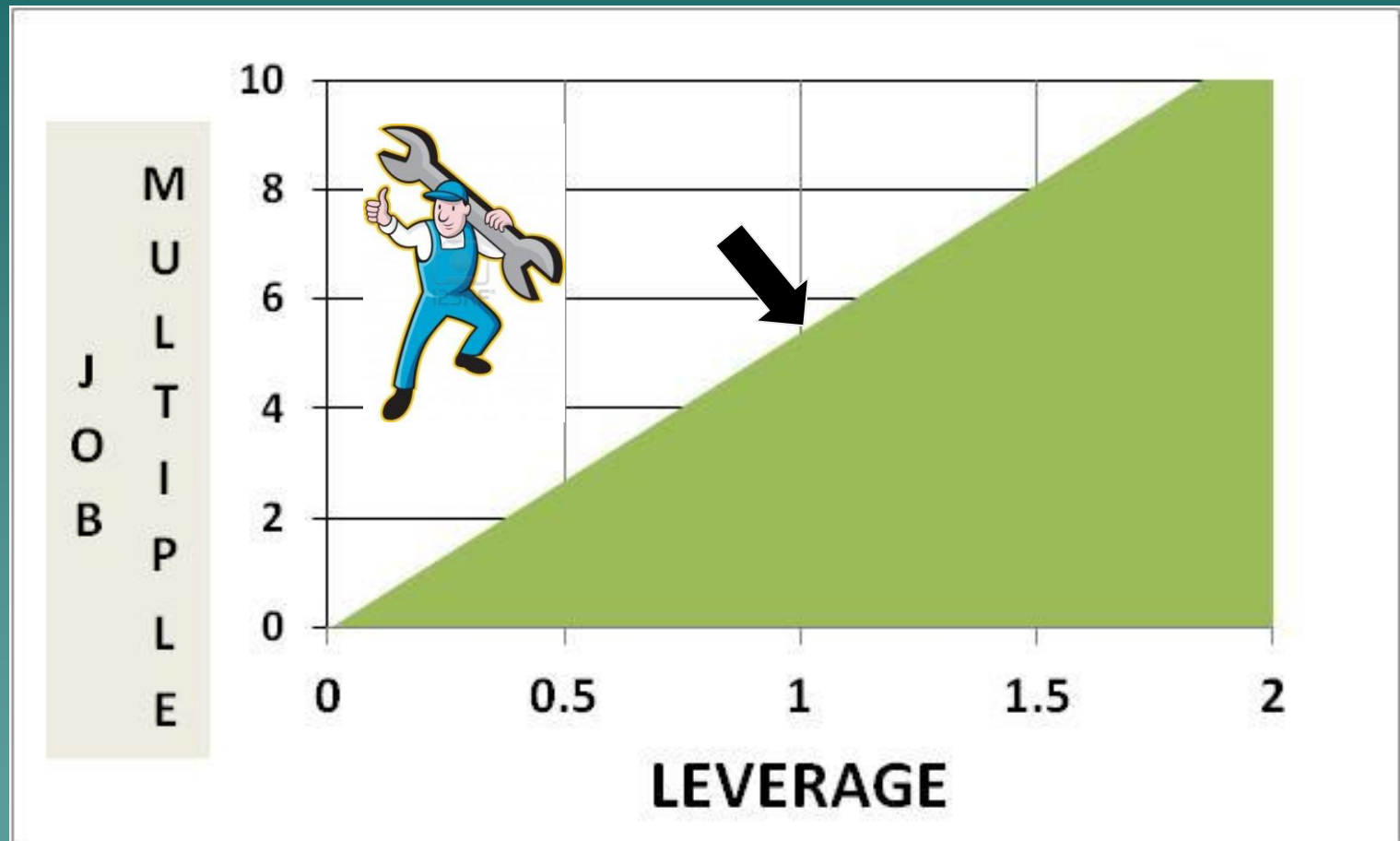


# Non-Residents?

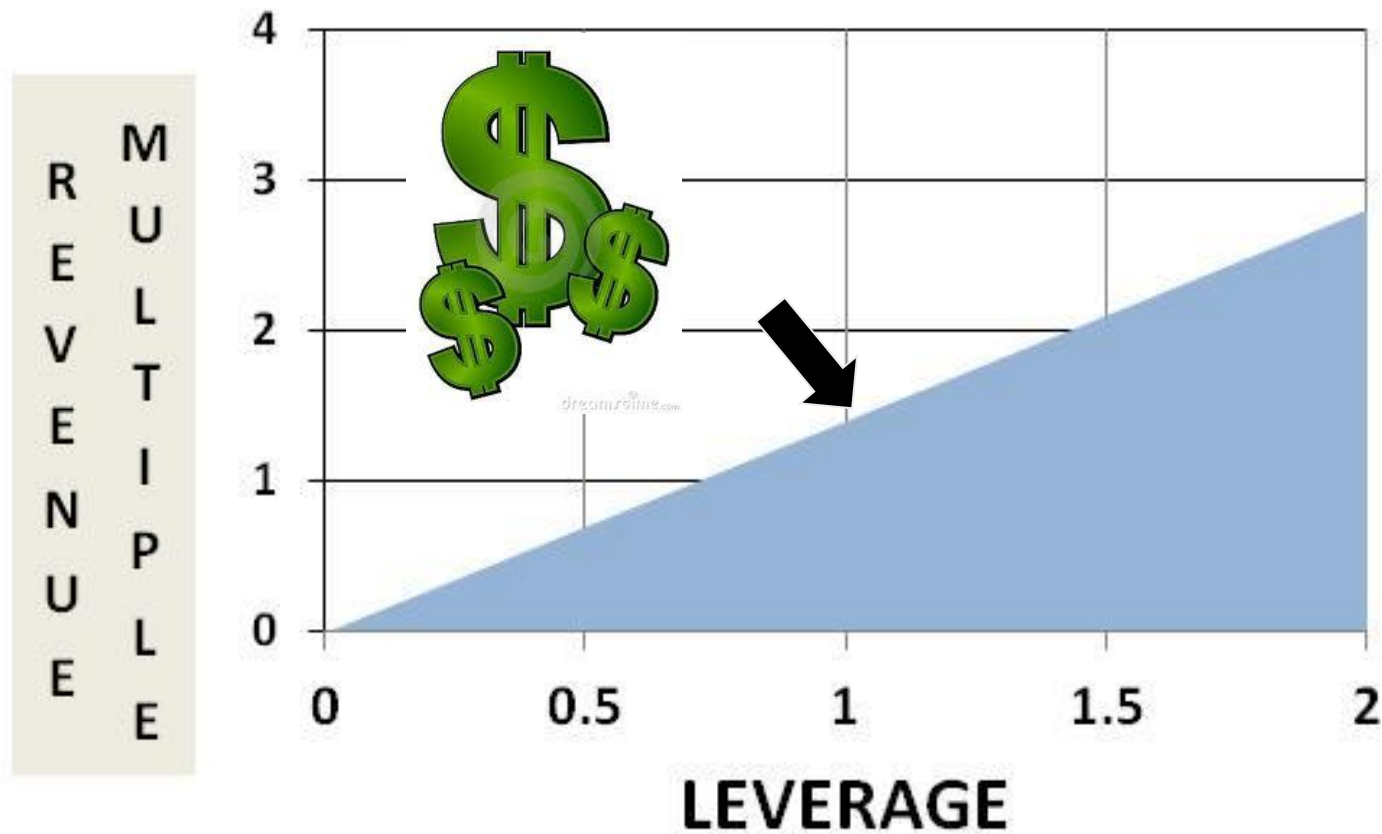


| Non-Resident Worker Share | Industry                 |
|---------------------------|--------------------------|
| <b>77</b>                 | Seafood Processing       |
| <b>42</b>                 | Visitor (Accommodations) |
| <b>35</b>                 | Metal Mining             |
| <b>31</b>                 | OIL AND GAS              |
| <b>20</b>                 | Construction             |
| <b>7</b>                  | State Govt               |

# Jobs Sensitivity to “Leverage”

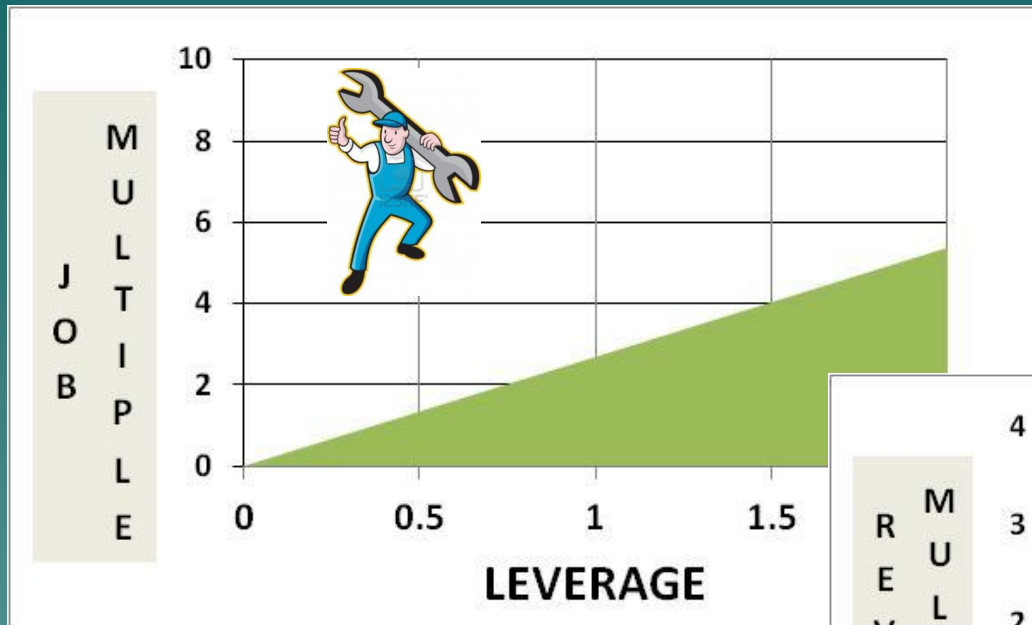


# Revenues: Sensitivity to “Leverage”

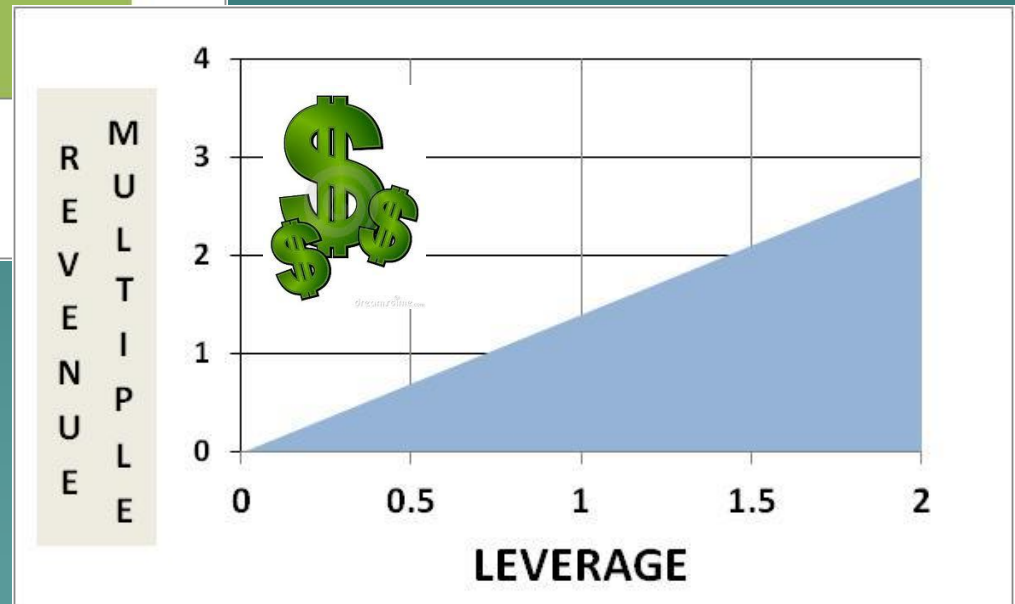




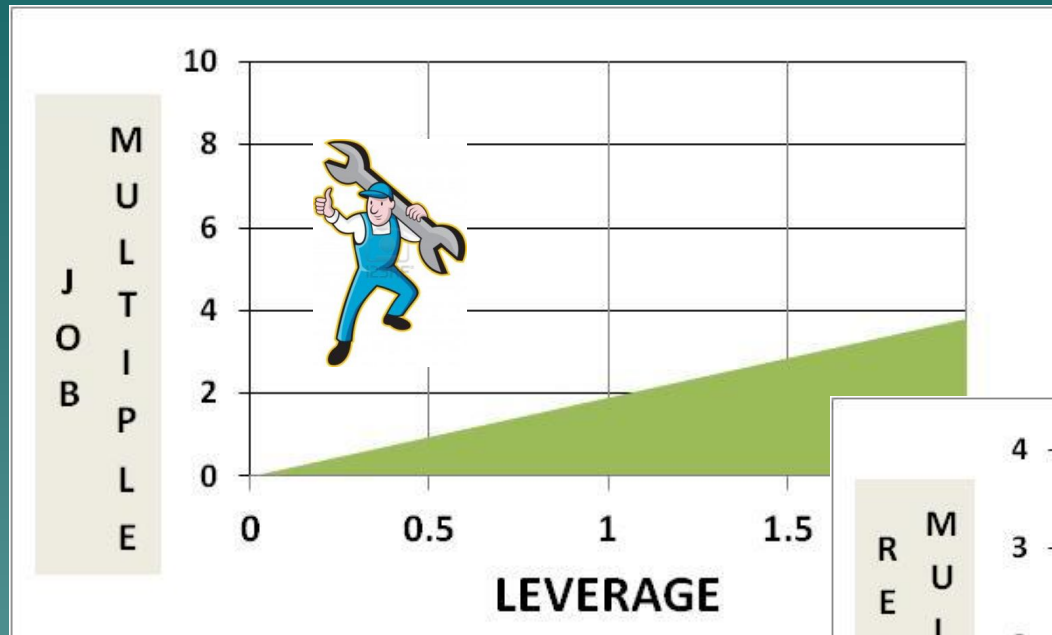
# Sensitivity to Leverage



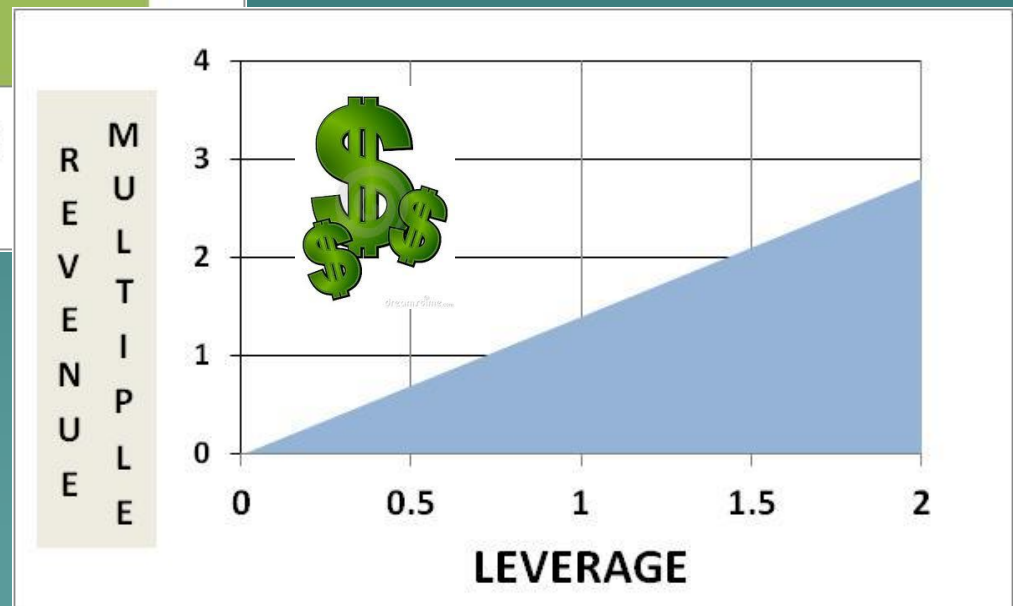
CAPITAL  
SPENDING



# Sensitivity to Leverage



OPERATIONS  
SPENDING



State of Alaska

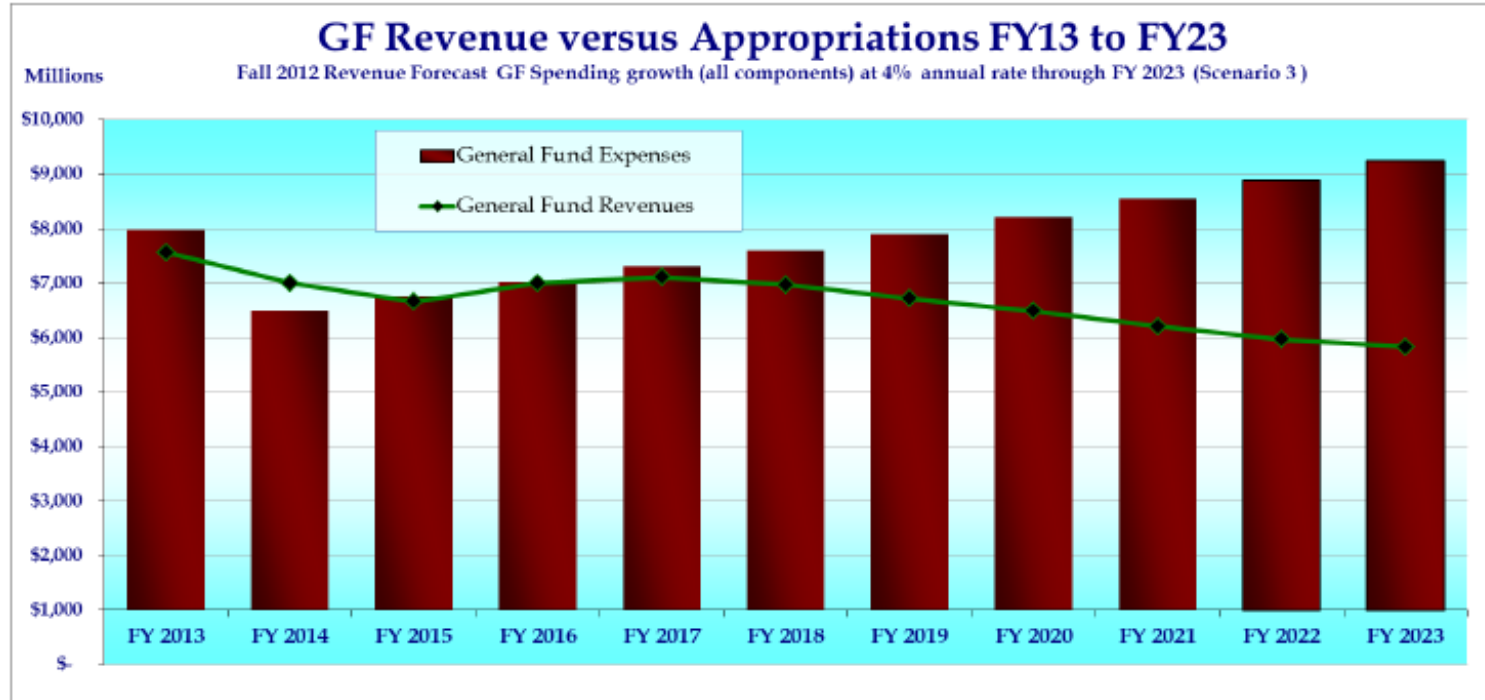
## FY2014 10-Year Plan

Governor's Office of Management and Budget  
Karen J. Rehfeld, Director

FY2014

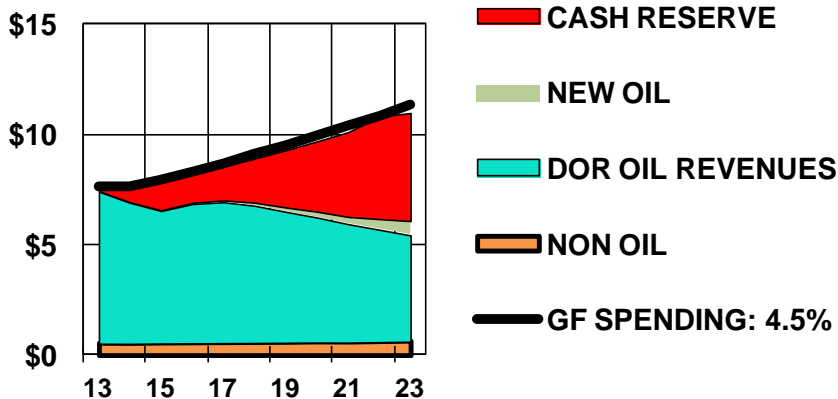
# State Fiscal Plan

## Scenario 3: Governor's FY2014 Budget with 4% Annual GF Expenditure Growth beginning in FY2015

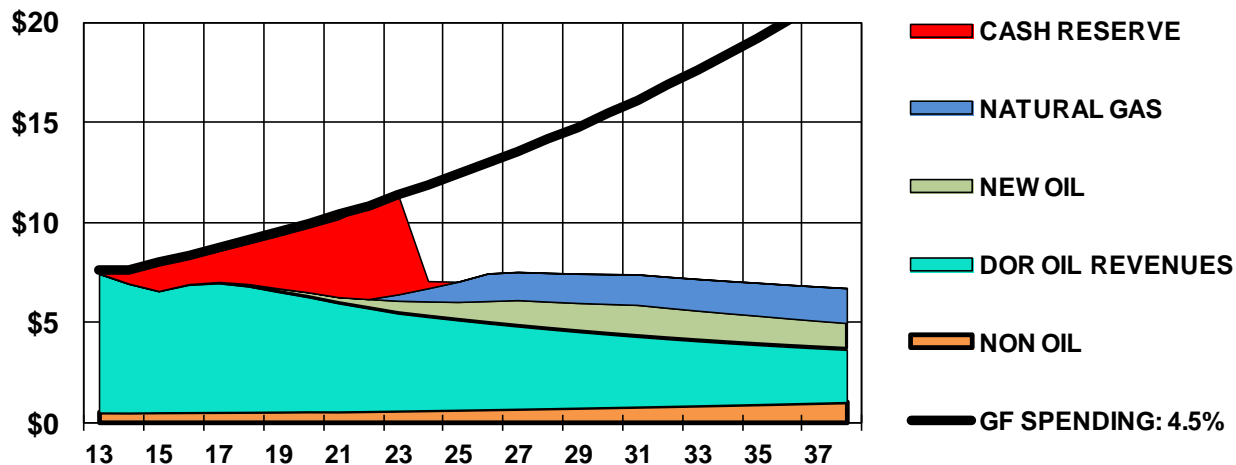


# Looking Beyond 10 Years

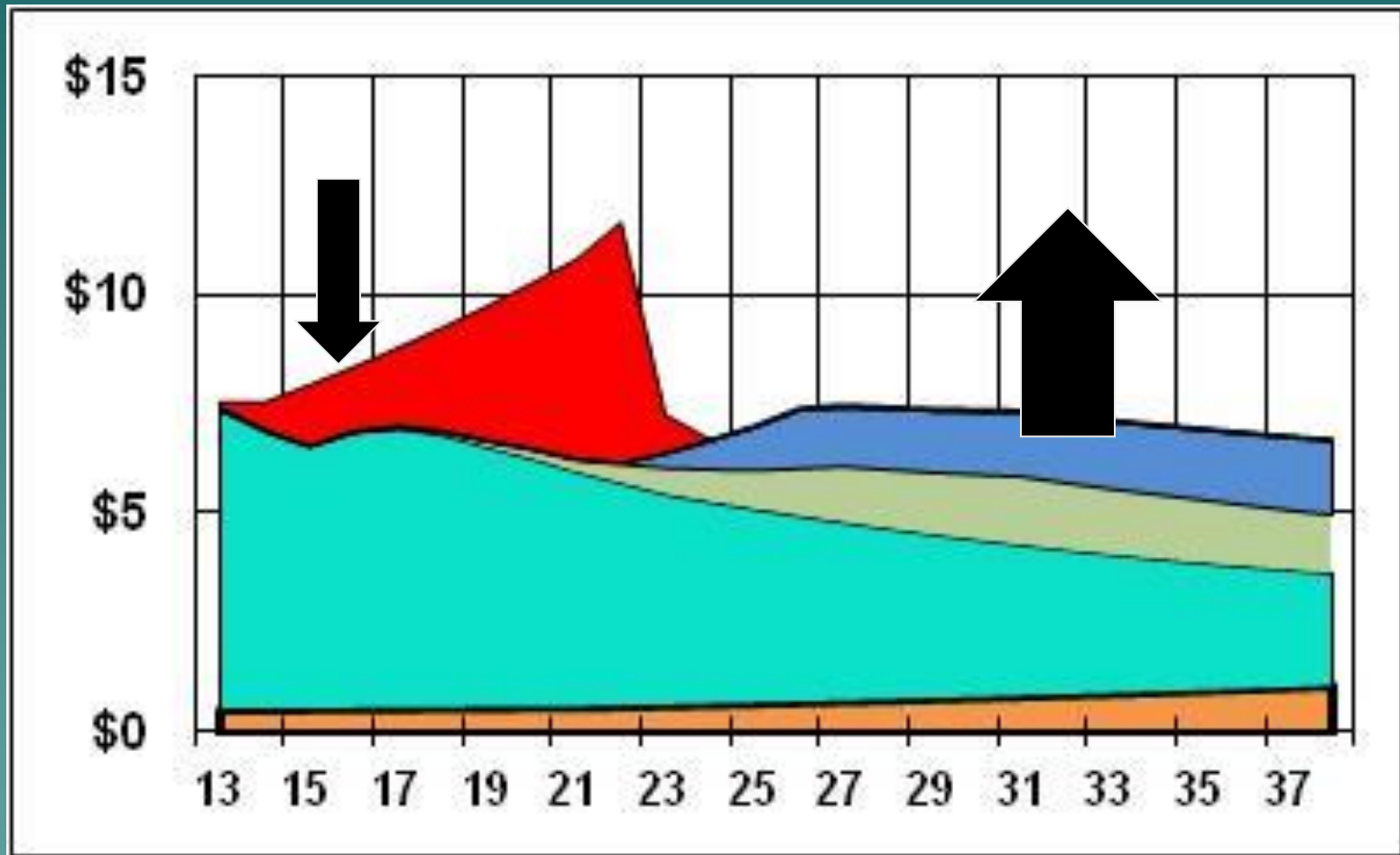
## ALASKA 10-YEAR FISCAL PLAN



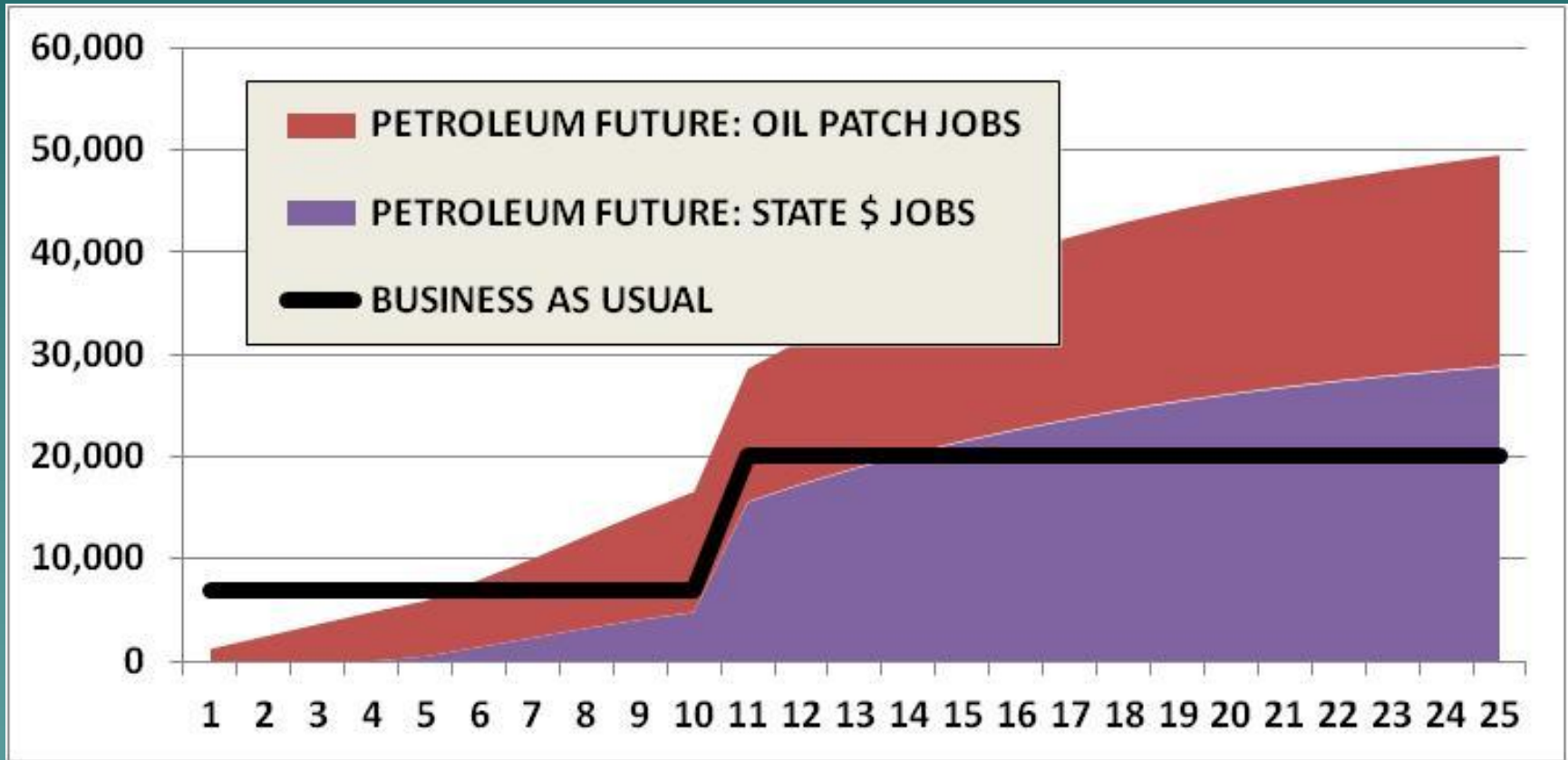
## LOOKING BEYOND THE 10-YEAR HORIZON



# Move Towards Sustainability

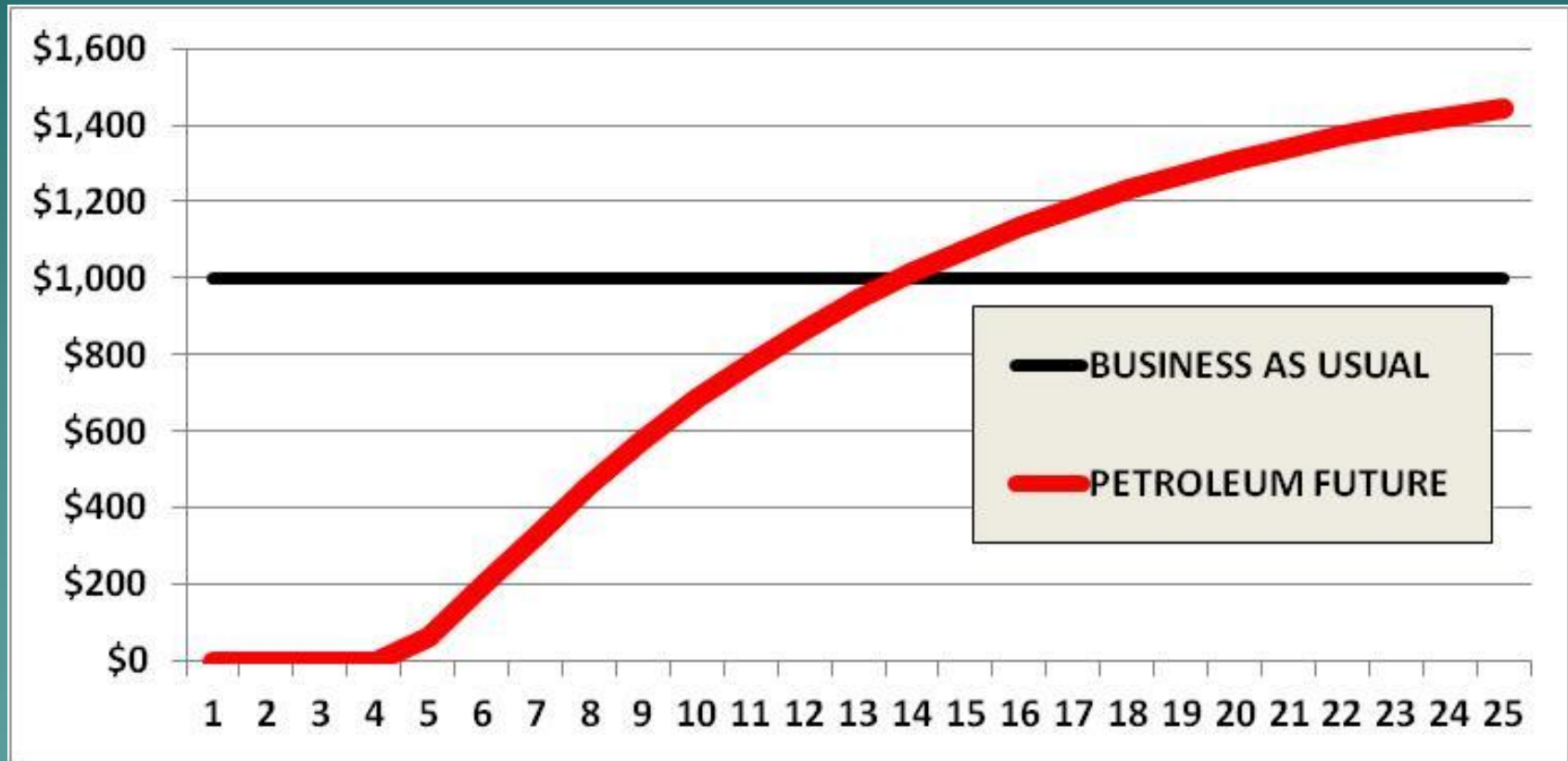


# Continuous Spending for 25 Years: Jobs





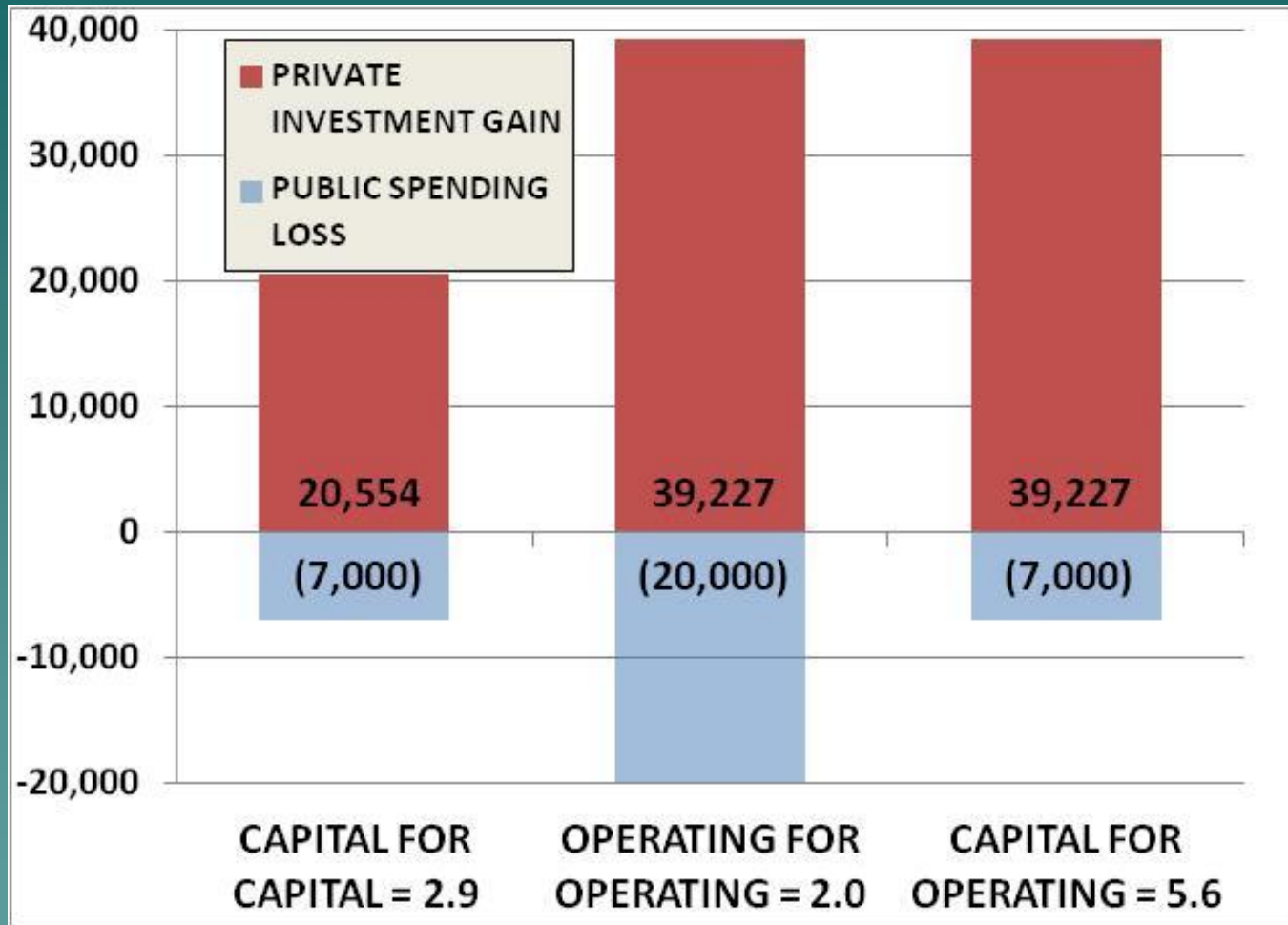
# Continuous Spending for 25 Years: Revenue



# Non-Petroleum Strategies for Continuing Economic Prosperity

- Natural Resource Development
  - Value Added Processing
  - Economic Diversification
  - Infrastructure Investments in Power and Transportation
  - Footloose Industry
  - Renewable Energy
- 
- A stylized, dark teal silhouette of a mountain range is positioned in the bottom right corner of the slide, partially overlapping the list of strategies.

# Cumulative Jobs Generated



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